

Inside & Out

FEBRUARY, 1992

COMPAQ NEWS

VOLUME 10, ISSUE 1

Lightweight notebooks revolutionize power-saving technology

Reaffirming its leadership in portable technology, Compaq announced Jan. 27 the COMPAQ LTE Lite/25 and COMPAQ LTE Lite/20, two revolutionary notebook personal computers that use power conservation features to provide long-lasting battery life and the best combination of high performance features in a smaller, lighter, six-pound notebook design.

"According to International Data Corporation, the notebook market

'We expect the COMPAQ LTE Lite/25 and COMPAQ LTE Lite/20 with their competitive features and performance, to bolster Compaq's strength in this growing sector.'

segment — one of the fastest growing in the industry — is expected to grow 57 percent worldwide in 1992. We expect the COMPAQ LTE Lite/25 and COMPAQ LTE Lite/20 with their competitive features and performance, to bolster Compaq's strength in this growing sector," said Lorie Strong, Vice President of Product Marketing, PC Division.

Notebooks provide total computing solution

The COMPAQ LTE Lite/25, equipped with 16-Kbytes of high-speed cache memory, provides up to 25 percent performance increase over non-cached 25-MHz notebook PCs. Targeted at the most



The new COMPAQ LTE Lite/25 and COMPAQ LTE Lite/20, shown here in the Desktop Expansion Base, provide revolutionary power-saving technology.

demanding notebook customers using advanced productivity business and windows applications, including financial analysis, software development and graphics, the COMPAQ LTE Lite/25 has four megabytes of system memory standard. It is available with up to 120

MB of fixed disk drive storage — more than enough storage for most users.

The COMPAQ LTE Lite/20 is targeted at mainstream notebook users running basic spreadsheet, word processing and e-mail applications. Equipped with the new Intel 20-MHz 386SL chipset and the

same power management features as the COMPAQ LTE Lite/25, the COMPAQ LTE Lite/20 has two megabytes of random access memory (RAM) standard and is available with up to 84 MB of fixed disk drive storage.

continued on page 2

Editors Note: The series of Q & A will continue next issue with an interview with Doug Johns, Senior Vice President and General Manager, PC Division.



Special Anniversary Section
See pages 5-8 for a look at the past 10 years

Company reports 1991 sales of \$3.3 billion

On Jan. 28, Compaq announced 1991 sales of \$3.3 billion, a 9 percent decrease from sales of \$3.6 billion in 1990.

Fourth quarter 1991 sales were \$873 million, compared to sales of \$1 billion for fourth quarter 1990.

"While our comparisons to 1990 are not favorable, we're pleased that our fourth quarter 1991 sales of \$873 million showed improvement over those of second and third quarters of 1991, in which revenues were \$718 million and \$709 million, respectively. In our outlook for 1992, we expect another challenging year as we face an uncertain economic outlook and continued price competition," says Eckhard Pfeiffer, CEO.

Fourth quarter net income was \$67 million, or \$.77 per share, compared with net income of \$135 million, or \$1.50 per share on a fully diluted basis, in the same period 1990.

For the year ended Dec. 31, 1991, net income of \$131 million, or \$1.49 per share, represented a 71 percent decrease from the \$455 million, or \$5.12 per share on a fully diluted basis, reported for the year ended Dec. 31, 1990.

"There is no question that 1991 was not as good as 1990 for much of the computer industry," Pfeiffer says. "A tough economic environment fueled intense price competition, which was the major cause of the company's lower

continued on page 3

Notebooks revolutionize power-saving technology

continued from page 1

Compaq concentrates on conservation

Compaq has responded to the need for longer battery life by bringing cutting-edge power management technology to its notebook PC line. The COMPAQ LTE Lite/25 and COMPAQ LTE Lite/20 based on Intel's 25- and 20-MHz 386SL microprocessors respectively, achieve three to four-and-a-half hours of battery life by incorporating Compaq-designed power management features.

One of the features is the industry's first "smart" battery pack with a built-in microprocessor. The microprocessor continuously monitors power usage.

The COMPAQ Smart Power Pack is the only battery that automatically tracks system-wide power usage and communicates with a highly-accurate battery gauge that shows users remaining battery life in hours and minutes. With unprecedented speed, the COMPAQ Smart Power Pack can be fast charged in approximately one hour if the system

is not in use or approximately one-and-a-half hours while the system is in use.

use. The COMPAQ LTE Lite/25 and COMPAQ LTE Lite/20 also provide six easy-to-use "hot keys" that allow users to customize various functions to meet changing work routines and application environments.

For example, using the power conservation key, a traveller on a four-and-a-half hour flight can quickly reset power conservation to the highest level to stretch battery life and work on a basic spreadsheet or word processing application without recharging the battery. Other hot keys provide easy access to the battery gauge, speaker volume control, security features and video

display options, including simultaneous display, which is used in business presentations.

Other outstanding options

The company also introduced two key notebook options: a Desktop Expansion Base that enables customers to convert a notebook PC to a desktop PC, and an Enhanced 9600-bps Internal Modem, the highest performance internal modem designed by a PC notebook vendor.

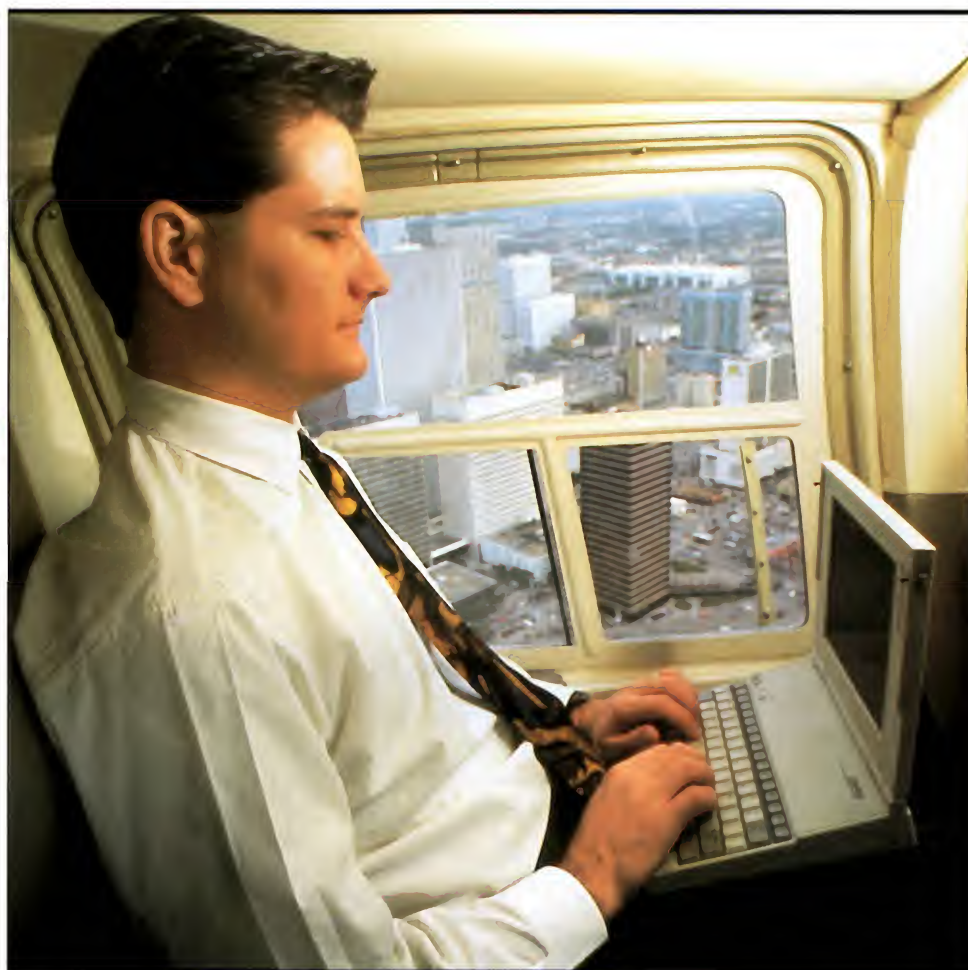
The new full-function Desktop Expansion Base, also compatible with the COMPAQ LTE 386s/20, offers two drive

bays, integrated fixed drive support and multilevel security features. Approximately 35 percent of all COMPAQ LTE 386s/20 and COMPAQ SLT 386s/20 customers worldwide purchase COMPAQ expansion bases to take advantage of added system flexibility and networking capabilities.

The optional 9600-bps internal data modem offers maximum data transfer rates and low power consumption features to enhance system power conservation. The internal data modem is ideal for travellers who frequently use modems and don't want to carry extra parts.

This new display saves 50 percent more power or 30 minutes more battery life than earlier displays.

The new notebooks sport a new keyboard to maximize convenience and productivity. The smaller, lighter design makes it easy to work wherever your work takes you.



is not in use or approximately one-and-a-half hours while the system is in use.

The company also announced the industry's first nationwide battery disposal program to provide customers with efficient and ecologically sound methods of discarding portable PC battery packs used in COMPAQ laptop and notebook PCs.

Depleted batteries are sent to an EPA-approved recycling facility that is equipped to safely recycle the waste batteries. Reusable metals from the battery packs are sold by the facility to manufacturers in the production of new products.

The Compaq Maxlight VGA display is a patented new backlighting system that provides maximum screen brightness with a nine-and-a-half inch diagonal display. This new display saves 50 percent more power or 30 minutes more battery life than earlier displays.

Another engineering innovation called Hibernation mode saves a customer's data and application to the fixed disk drive and turns the unit off, conserving 100 percent of the battery power and securing vital data. Hibernation acts as a bookmark feature that returns to the same place in the application once the unit is turned on again. The Hibernation mode can be adjusted to activate after a predetermined period of time in the standby mode, manually, or in low battery 2 mode.

New keyboard maximizes convenience and productivity

A newly-designed keyboard provides isolated, inverted-"I" cursor controls and separate Home, End, Pageup, and Pagedown keys for easier

Compaq, SGI agree to stop joint technology development

Citing development cycle priorities and differences in strategic product direction, Compaq announced Jan. 21 that it has stopped joint technology development with Silicon Graphics, Inc., and entered into a cross-license for technology previously exchanged by the two companies. SGI will acquire Compaq equity interest in its company.

"The joint development work did not coalesce as expected into products that could appropriately serve each of the companies' different timing and market requirements," says Gary Stimac, Senior Vice President and General Manager, Systems Division. "Given Compaq's renewed focus on aggressive and timely announcement of new products for our market, we

concluded that continued joint development work did not meet our needs." He emphasized that Compaq continues its aggressive development of x86 and MIPS-based products.

This announcement does not change the company's membership and activities in ACE.

This announcement does not change the company's membership and activities in ACE (Advanced Computing Environment). "ACE objectives are still valid and we are looking forward to the availability of key components like the Microsoft NT 32-bit operating system,"

Stimac says.

The original agreement between Compaq and SGI was announced April 3, 1991, and provided for a technology exchange and joint technological development. As part of this relationship, Compaq was to pay up to \$50 million to SGI subject to certain terms and conditions and purchase \$135 million of Silicon Graphics preferred stock.

Under the terms of the restructuring, Compaq paid SGI \$3.75 million in January and Silicon Graphics will pay Compaq \$150 million by July 31, 1992. Upon receipt of these funds, Compaq will transfer the SGI preferred stock it currently owns to SGI. The decision to restructure the agreement will have no material financial impact.

Compaq, Novell strengthen partnership

Compaq and Novell, Inc. have joined forces to accelerate the growth and development of the personal computer networking market. On Jan. 29, the two companies announced the signing of a Master Business Agreement (MBA) that builds upon their longstanding relationship and outlines new areas of cooperation, including:

- jointly developing new products
- simplifying the management and control of PC networks
- raising the level of network dependability
- working together to enhance multi-vendor integration.

"Compaq is committed to strengthening our leadership position in the PC networking market by joining forces with Novell to mutually address customers' increased demands for new products, service, support and systems integration," says Eckhard Pfeiffer, CEO.

Ray Noorda, President and Chairman of Novell, Inc., adds that Compaq and Novell are committed to the PC networking marketplace.

"I'm very excited about moving to a new level of cooperation with Compaq because together we can put products and systems in place to advance the state of the industry," Noorda states.

The agreement reinforces the two companies' alignment of strategies to give customers greater network dependability and outstanding new products.

The COMPAQ SYSTEMPRO PC System in combination with Novell NetWare mobilized the downsizing trend, allowing companies to move their computing programs from expensive minicomputers to PC-based networks that operate at lower costs. Compaq and Novell share a common goal of accelerating this growing market.

"Customers are continuing to shift their critical business applications to PC networks, and Compaq is in the forefront of that movement," says Gary Stimac, Senior Vice President, Systems Division.

"We can aggressively move forward with Novell in this market because we are

committed to an open systems strategy."

The Compaq/Novell agreement includes three key areas of cooperation that ease PC network implementation, while stimulating market growth.

First, Compaq and Novell will work together to simplify the management and control of PC networks. The companies will cooperate in joint development, marketing and support of network management products, while encouraging and supporting independent software vendor (ISV) development efforts.

Second, the two companies are moving forward with their joint efforts to raise the level of network dependability through increased server fault tolerance. Novell System Fault Tolerance, Level Three (SFT III) is a mirrored server technology that will provide new levels of network availability in critical business environments.

SFT III is currently in the hands of several beta test customers. Compaq and Novell are working together to thoroughly test SFT III at select customer sites in preparation for more widespread distribution in the second half of 1992.

Third, the agreement provides a framework for the companies to continue their work in advancing multivendor integration and support. To that end, Compaq plans to offer a variety of Novell software products and support services to its customers. Specific product, support and distribution plans will be announced at a later date.

The MBA is based on the ongoing relationship between Compaq and Novell in the areas of customer support, distribution and multivendor integration.

To ensure the success of this effort, Compaq has formed a Novell business group within the Systems Division to meet increased customer expectations for these new products and services.

A good thing gets better

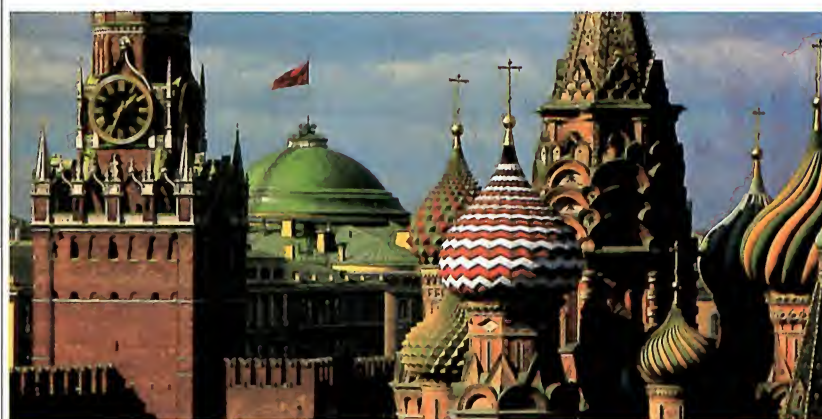
Customers already enjoy broad support for Novell software on COMPAQ personal computer products since many COMPAQ Authorized Resellers around the world are also Novell Authorized Dealers.

The agreement also builds upon the existing Compaq/Novell Joint Integration Agreement (JIA) and Technical Support Alliance (TSA), which facilitate the seamless support of Compaq/Novell systems.

One customer benefiting from these agreements is Children's Medical Center of Dallas. Marc Milstein, Vice President of Information Systems at the hospital, stresses the importance of his Compaq/Novell network.

"To keep our hospital running smoothly, Children's Medical Center relies on Novell NetWare and COMPAQ SYSTEMPROs and desktop PCs in critical application areas, such as materials management and operating room scheduling. We made this decision because the combination of COMPAQ and Novell products offers a high degree of quality and compatibility in a networked environment," he says.

If you want the same service and support in Moscow as you would expect at home...



Here's why you should buy COMPAQ

If you are planning to expand your business into the Soviet Union, you will be looking for reliable personal computers and personal computer systems that will help you to meet the challenges of a new environment. You are probably already familiar with the range of excellent products

the name COMPAQ represents. What you may not know is that COMPAQ products, service and support are available today through our COMPAQ Authorized Resellers in Moscow. Now it is easy to find the hardware you trust and the experience to meet your growing com-

puting needs. All COMPAQ Authorized Resellers are fully trained and supported by COMPAQ. Working with them is working with COMPAQ in Moscow. This, not to mention our affordable prices, is why you should buy COMPAQ.

COMPAQ

COMPAQ Authorized Resellers in Moscow:

CSS Computer and Telecommunications Solutions (member of S.I.T.C.O.)
Ul. Krapotenskaya 35, Building 3,
119034 Moscow
Telephone: 7-095-2020480
Fax: 353-61-363483

Computerland Moscow
Ul. Kosygina 15
117586 Moscow
Telephone: 7-095-9398128
Fax: 7-095-9390286

This advertisement announces the availability of Compaq service in Moscow.

Compaq starts service, support in Russia, offers stock

Broadening its market coverage in the former Eastern Bloc countries, Compaq recently authorized two COMPAQ Authorized Resellers in Moscow: Computerland Moscow and CSS Computer and Telecommunications Solutions. Computerland Moscow is owned by a U.S. computer company owned by Russian emigres living in New York. CSS is part of an Irish computer company which originally went to the Russia to computerize duty-free shops at the Moscow and St. Petersburg airports.

Computerland Moscow and CSS formed a joint venture with the Moscow City Council. Both companies provide systems solutions by personnel trained in sales, marketing and technical training for COMPAQ products.

An advertisement announcing

Compaq service availability in Moscow appeared in *Aeroflot Magazine* — a magazine the Russian airline places on all international flights.

In addition to making COMPAQ products available in Russia, in November Compaq stock was offered for direct sale to Russian investors. Montgomery Securities of San Francisco and the Moscow Brokerage firm Sovlex offer eight different stocks including Compaq.

Russian investors will now be able to purchase stocks at one of Moscow's new exchanges, the Central Securities Exchange, via satellite links connecting Moscow and San Francisco. Previously, Russian investors had to open foreign accounts before investing money outside of the country.

Company reports 1991 sales

continued from page 1

revenue. We made dramatic moves in the fourth quarter to improve our costs, and redirected our strategies to be more competitive. These actions have laid the foundation for much that should bear fruit in 1992."

Fourth quarter gross margin of 37.2 percent was up from the third quarter's 34.3 percent, though down from the 45 percent reported in fourth quarter 1990. The improvement in the fourth quarter 1991 gross margin over third quarter reflected fluctuations in the U.S. dollar, increased unit volume and cost efficiencies.

Pfeiffer adds, "Competitive pricing, the broadening of our distribution and the steps we've taken to improve customer satisfaction will be important factors in our future success. One constant through all this change has been the strong brand image

that COMPAQ products enjoy. Our commitment to quality has not changed. Throughout 1992 we'll focus on delivering new notebooks, desktops and servers in key growth segments, further expanding and refining distribution, broadly enhancing customer support and service programs and expanding into new areas around the globe.

"New products are our lifeblood. For 1992 we have one of the most aggressive new product introduction plans we've ever had. During the first and second quarters we're planning an impressive line up of new products, including products targeted for the Japanese market. The expenses associated with these new products, which will include sizable introduction costs, have already begun with the notebooks announced Jan. 27."

Bug hunt helps Borland beta software

Borland International, creator of Paradox, Quattro Pro and C++ software, annually sponsors extensive "bug hunts" to perfect its beta software — software that is under evaluation and unannounced. Borland chose the

Compaq Software Training Center to host the 1991 event. The "bug hunting" program began over two years ago by the company's Industry Relations Group to foster a closer relationship with Independent Software Vendors (ISVs).

The Compaq Training Center was chosen because of "the convenience, hospitality and support Compaq has given us," said Paul Gross, Borland's C++ Product Manager.

Recently, over 60 programmers from

Compaq and the Houston Area League PC (HAL-PC) users volunteered to test and analyze Borland software.

"The event, coordinated by Industry Relations and Software Training, is one of many cooperative development programs offered by Industry Relations," said Charles King, Industry Relations Manager.

"This year has proven to be best by far," said Charles Dickerson, a Borland quality assurance manager. "Compaq has the ideal site and location for an event like this," Dickerson added. The training center rooms were filled to capacity as programmers looked for flaws in the beta software.

Borland benefits

To recognize the programmers' efforts to perfect their beta software during the "bug hunting session," Borland issues free copies of that software when it is available. Complimentary software is also given to programmers who remain in the session five hours or more.

In addition, Compaq is listed on Borland's product package and fact sheet as being a PC compatible with Borland's software.

Product Compatibility

To ensure that mutual customers receive quality products, Compaq and Borland are committed to supporting product compatibility test efforts. "We don't want customers to consider compatibility as an issue when they purchase our products," added King.



In a Borland-sponsored beta software bug hunt, Scott Harsany, Diagnostics Development, receives instructions from Charles Dickerson, a Borland quality assurance manager. Donnie Wablquist, Diagnostics Development, and Charles King, Industry Relations, also practice perfecting Borland's beta software.

Rock band raves over original COMPAQ Portable Computer

Lights flash. Pounding music falls to the final note. The crowd roars approval. It's another successful performance by the rock band Steppenwolf. As the band members pack up their gear and prepare for the next stop on an extensive road trip, they are especially careful with one item that has added an extra dimension to their high energy performances — an original COMPAQ Portable Computer.

Steppenwolf has relied on the COMPAQ PC and another COMPAQ Portable as back-up since 1983 to control almost every performance-related function. The band's COMPAQ PCs not only maintain important documents such as finance records and various spreadsheets, the portables also switch on spotlights.

With the help of a Musical Instrument Digital Interface, or MIDI, the COMPAQ Portable Computer can synthesize keyboard sounds ranging from a grand piano to a pipe organ. The MIDI PC combination also recreates vocals and imitates a base guitar to add extra richness to the Steppenwolf sound.

"We were using the COMPAQ Portable before computers came in vogue," said Michael Wilk, keyboard player for the band. "We started using Compaq because it had a good reputation for quality. And at the time, it was the most portable computer around," Wilk added. Wilk uses the portables to

compose the band's music as well as for other outside projects such as composing movie soundtracks. Using the computers to run various equipment also reduces the need for additional equipment and personnel when travelling.

The show must go on

Steppenwolf uses the COMPAQ PCs to their fullest capacity. So, when the heavily used COMPAQ PC suffered from a power supply and hard disk failure before a tour of Europe, Argentina and Alaska in December 1990, the desperate band contacted the company to locate the necessary replacement parts. Charles Lee, Director, Project Engineering, found the parts necessary to upgrade the over-worked portable.

"The trick was finding the parts to fit," said Lee.

Here to stay

In 1992, Steppenwolf will celebrate its 25th anniversary. Though well-known for such classics as "Born to be Wild" and "Magic Carpet Ride," the band plans to continue to create crowd pleasers. Their new album and compact disk offers selections of the old "favorites" and new songs — all arranged with the help of the COMPAQ Portable Computer. The band and the COMPAQ PC share a common feature...

"They hold up really well," Wilk adds.

TO COMPAQ COMPUTER CO. (written on photo)

Michael Wilk, Rocket Ritchotte, John Kay, Ron Hurst (signatures on photo)

L TO R: MICHAEL WILK, ROCKET RITCHOTTE, JOHN KAY, RON HURST

AFTER 5 YEARS ON THE ROAD, THE 2 COMPAQ'S WE HAVE ARE STILL ROCKIN'!!!

JOHN KAY & STEPPENWOLF

Rox Agency Management Inc.
315 S. Beverly Dr., Suite 206
Beverly Hills, CA 90212
(213) 557-0661

THANKS FOR A GREAT PRODUCT!!

Variety Artists

Steppenwolf



Happy Anniversary, Compaq!

Celebrating 10 Years of Excitement

Feb. 16 marks 10 years of technological breakthroughs and business distinction for Compaq.

Feb. 16, 1982

Gateway Technology — founded by Rod Canion, Jim Harris and Bill Murto — is incorporated.

November 4, 1982

Gateway Technology officially becomes Compaq Computer Corporation, and announces the company's first product — the COMPAQ Portable Computer. The IBM-compatible "luggable" is well-received by the computer industry and the company is off to a running start.

December 1983

On Dec. 9, Compaq stock is offered over-the-counter, making it a public company.

The first full year of operation ends for Compaq as the most successful first year of any manufacturer in American business history. The COMPAQ Portable and the COMPAQ Portable Plus are the best selling full-function portable computers in the world.

March 26, 1984

On its way to becoming a household word, Compaq begins its first advertising campaign. The ads, focusing on the company's unusual beginnings in a pie shop and the unique success of both the company and its products, begin running on national television. Print ads appear in over 20 publications. The commercial begins its run by appearing during such popular American television shows as "60 Minutes," "Hill Street Blues" and the NBA playoffs.

March 29, 1984

Compaq Computer, GMBH, the company's first international subsidiary and European headquarters is announced. London-based Compaq Computer is announced April 2.

June 28, 1984

Compaq announces a major new product line — the COMPAQ DESKPRO Personal Computer — at a press conference in New York. The desktop PC was simultaneously announced in six other U.S. cities and in Germany and the United Kingdom. The PC is the company's first non-portable product offering.

The product is hailed as unique in the PC industry — a single system that meets virtually all desktop computer requirements without needing an expansion chassis or external power supply.



Preparing to ship the first COMPAQ product.



The first company newsletter.



A Compaq advertisement.

December 1984

As the year closes, Compaq is recognized worldwide as a leading manufacturer of personal computers. Year-end earnings triple those of 1983.

April 30, 1985

The first portable product based on Intel's 80286 processor is announced by Compaq – the COMPAQ PORTABLE 286. The COMPAQ DESKPRO 286 is introduced at the same time. Both provide features and performance superior to the most powerful offerings from IBM. As the products are unveiled, the Pointer Sisters sing "They're So Exciting" and industry analysts and journalists agree.

December 1985

1985 is remembered as the year Compaq sales passed the \$500 million mark. As of Dec. 10, Compaq stock is available on the New York Stock Exchange.

Feb. 20, 1986

The COMPAQ PORTABLE II is announced in Houston. It packs the punch of the 80286 processor and is 30 percent smaller and 17 percent lighter than the COMPAQ Portable. The new portable is touted as "the world's most compact full-function personal computer."

April 9, 1986

Compaq becomes the first company in U.S. corporate history to achieve "Fortune 500" status in less than four years. The company debuts at 463 on Fortune Magazine's annual listing of the nation's 500 largest industrial companies.

Sept. 9, 1986

Cementing its position as a technology leader, Compaq introduces the PC industry's first product based on the Intel 80386 processor. The desktop product offers more storage capacity and performance than available in other PCs.

January 1987

Compaq announces it will build a \$23 million European manufacturing facility in Erskine, Scotland.

Feb. 17, 1987

The smallest portable computer to offer the full range of functions found on desktop PCs is announced by Compaq. The COMPAQ PORTABLE III weighs only 18 pounds and its power is exceeded only by the COMPAQ DESKPRO 386. Most important in achieving the small profile is the use of surface-mount technology, reducing the size – but not the power – of the 145-watt power supply, and combining dozens of chips into six application-specific integrated circuits (ASICs). The COMPAQ PORTABLE III is the first industry-standard portable PC with an 80286 microprocessor that runs at 12 MHz clock speed.

June 12, 1987

Compaq officially opens its Singapore printed circuit board assembly facility.

Sept. 29, 1987

Compaq announces the COMPAQ DESKPRO 386/20 and the COMPAQ



The first Compaq company picnic.



Compaq debuted at 463 on the annual listing.



COMPAQ products quickly became the portables of choice – from Houston to the Great Wall of China.

PORTABLE 386, two products that deliver more speed, power and capabilities than ever before. This announcement furthers the company's market leadership in 80386-based computing.

Feb. 1, 1988

When 1987 earnings of \$1.2 billion are announced, Compaq is recognized as the fastest company in American business history to reach the \$1 billion mark. Sales for the year doubled those of 1986, with net income more than tripling.

June 20, 1988

Compaq extends its lead as the primary supplier of high-performance business PCs with the introduction of the COMPAQ DESKPRO 386/25, the most

powerful personal computer in the world, and the COMPAQ DESKPRO 386s, the first PC to use the Intel 386SX microprocessor.

September 1988

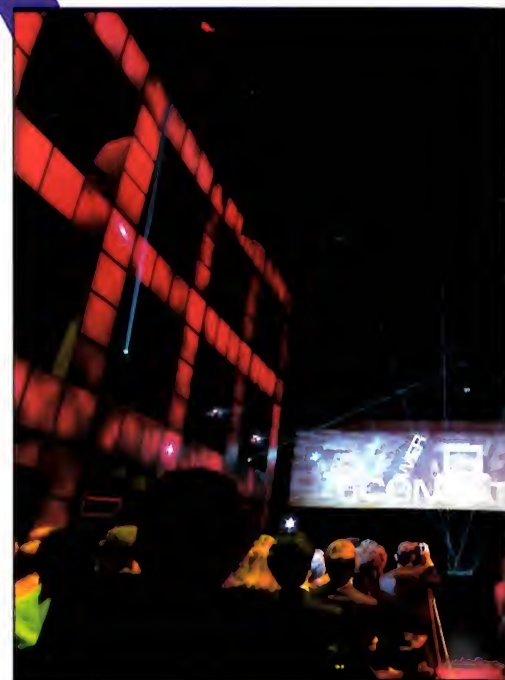
Compaq leads the "gang of nine" in the announcement of Extended Industry Standard Architecture (EISA), allowing advanced computers to remain compatible with older computers.

Oct. 17, 1988

The ultimate full-function 286-based laptop, the COMPAQ SLT/286 is introduced by the company. The laptop weighs just 14 pounds (6.35 kg) and measures just over 4 inches (1 dm) high by 13 1/2 inches (3.5 dm) wide by 8 1/2 inches (2.15 dm) deep.



The Pointer Sisters sing the COMPAQ DESKPRO 286 event.



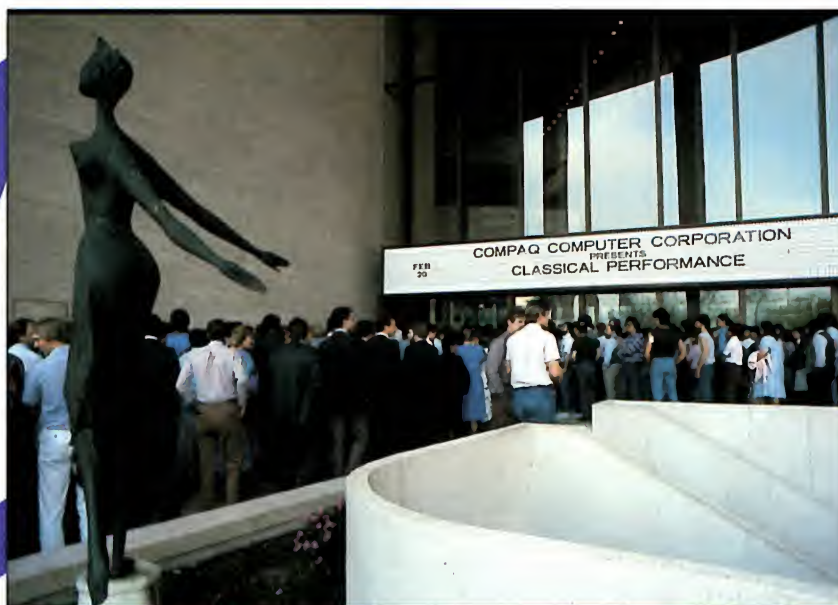
Compaq set the pace in 1986 when it introduced the 386 processor.



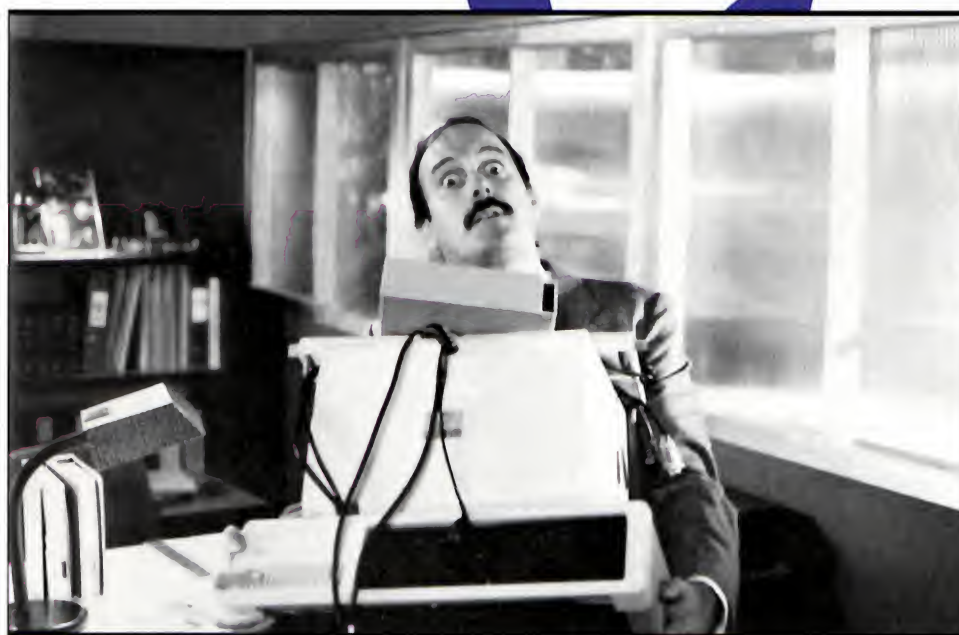
286's praises at the 1985 announce-



first product based on Intel's 80386



Employees attended Houston announcement festivities for the COMPAQ PORTABLE II.



British actor John Cleese of Monty Python fame starred in the company's first international advertising campaign.

Feb. 1, 1989

Compaq announces record sales of \$2.1 billion and record net income of \$255 million for 1988.

July 1989

Compaq revenue share continues to grow in the European market during first quarter 1989, reaching 10.2 percent and making the company the number two supplier of PCs to the continent's business market.

Oct. 16, 1989

Compaq announces its first notebook-sized offerings – the COMPAQ LTE and COMPAQ LTE/286. They are the first lightweights (under 7 pounds) to provide high-speed, 40- or 20-megabyte fixed disk drives; 3 1/2-inch, 1.44-megabyte

diskette drives and 80-key keyboards with standard spacing.

Nov. 6, 1989

Unleashing the power, Compaq announces a PC system that outperforms minicomputers. The COMPAQ SYSTEMPRO PC System is unveiled at the first announcement event held in Houston in four years. It is the first of a new class of advanced PC systems designed to meet the most demanding requirements of network server and multi-user host applications within connected-user environments.

The company also introduces the COMPAQ DESKPRO 486/25, based on the new Intel 486 microprocessor and Extended Industry Standard Architecture.

May 21, 1990

The company introduces two new PCs with specific built-in features for network use. The COMPAQ DESKPRO 386N and the COMPAQ DESKPRO 286N bolster the company's line of products providing key components for networking solutions.

May 24, 1990

The Compaq Board of Directors vote to effect a two-for-one stock split by declaring a 100 percent Compaq stock dividend.

June 18, 1990

Compaq announces its most powerful laptop available – the COMPAQ SLT 386s/20 – and the COMPAQ DESKPRO 386s/20, a high-performance desktop PC. The COMPAQ SLT 386s/20 is the first 20-MHz Intel 386SX with a cached memory design in a laptop form factor.

Oct. 15, 1990

Bringing together the worlds of advanced aeronautics and PCs, Compaq announced the COMPAQ LTE 386s/20, using "Rigid Flex" technology to allow the central circuit board to be folded. The COMPAQ LTE 386s/20 not only features the first use of Regal Flex technology in a PC, but also offers a 60-megabyte 2 1/2-inch fixed disk drive, credit card size memory cards and a miniature power supply in a 8 1/2 by 11 by 2 1/2 inch (21.6 by 27.9 by 5.6 cm) size and 7 1/2 pound (3.4 kg) package.

December 1990

Compaq announces plans to build a distribution center in Gorinchem, The Netherlands, to serve its growing international markets. Compaq products are now sold in 64 countries through a network of 3,000 Authorized Dealers.

American Pete Sampras wins the first-ever Compaq Grand Slam Cup tennis tournament held annually in Munich, Germany.

March 4, 1991

The Compaq Customer Support Center opens in Houston. The center is available to all Compaq North American endusers who need free general product information and technical support.

April 9, 1991

Compaq and more than 20 other leading computer industry companies set the foundation for a new class of advanced computing systems as they announced their commitment to a standards-based advanced computing environment in New York. The ACE initiative includes two operating systems – a unified UNIX System and Microsoft Windows NT – and two open hardware platforms – x86-based and RISC-based PCs and PC systems.

Sept. 9, 1991

Intelligent Modularity is introduced along with the COMPAQ DESKPRO/M family of PCs. Unlike conventional PCs, which integrate most components on the system board, the four COMPAQ EISA-based desktop PCs' innovative design

divides those components into five distinct subsystems — processor, EISA bus, I/O, video graphics controller and memory expansion — each on a separate board. This allows users to upgrade more than just the processor, a limitation found in other modular-based systems.

Compaq also announces the COMPAQ System Manager, offering the most advanced system management capabilities available.

Oct. 14, 1991

The COMPAQ PORTABLE 486c, the company's first color portable, is introduced. The advanced portable features fast screen response time and the largest selection of colors of any portable PC previously on the market.

Oct. 23, 1991

Compaq makes several major announcements. To bring the company's cost structure in line with the changing business environment, the company will restructure its operations and reorganize into two distinct product divisions — personal computers and systems. The plan includes a reduction of worldwide workforce by approximately 12 percent. As a result of a \$135 million restructuring charge, Compaq reports a net loss of \$70 million for third quarter 1991.

Oct. 25, 1991

Compaq Board of Directors elect Eckhard Pfeiffer as President and Chief Executive Officer, replacing company co-founder Rod Canion.

Nov. 5, 1991

In the midst of a "marketing revolution," Pfeiffer outlines a bold business strategy, including sweeping changes in product development, pricing, customer support, distribution, product promotion and financial management.

Jan. 27, 1992

Compaq pushes the notebook "technology envelope" with its announcement of the COMPAQ LTE Lite/25 and the COMPAQ LTE Lite/20. The two new notebooks provide a higher level of usability and portability with superior features and capabilities, including revolutionary power-saving technology.

Jan. 28, 1992

Compaq reports 1991 sales of \$3.3 billion. Fourth quarter sales of \$873 million is a 13 percent decrease from sales of \$1 billion for fourth quarter 1990, however results show improvement over second and third quarter 1991. Company announces in 1992 it will focus on delivering new notebooks, desktops and servers in key growth segments, further expanding and refining distribution, broadly enhancing customer support and service programs, and expanding into new areas around the globe.

Jan. 29, 1992

Compaq and Novell, Inc. join forces to accelerate the growth and development of the PC networking market. The two companies sign a Master Business Agreement, building on their longstanding relationship and outlining new areas of cooperation.

To be continued...



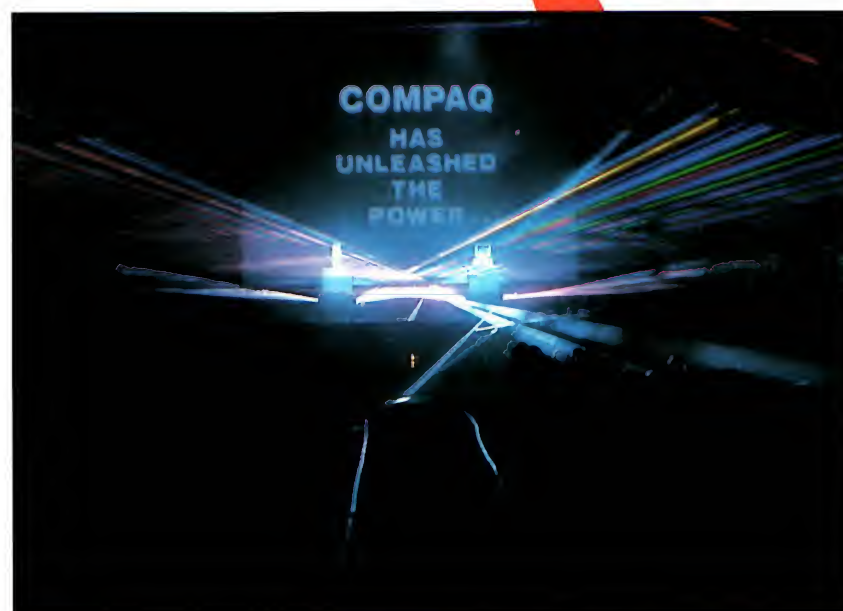
The Compaq facility in Erskine, Scotland.



The grand opening of the Singapore facility.



Compaq stock was offered over-the-counter in 1983.



Unleashing the power at the COMPAQ SYSTEMPRO announcement in Houston.

Wheaton wins Compaq Grand Slam Cup

Approximately 10,500 spectators filled the Olympiahalle in Munich, Germany Dec. 15 to watch the final matches of the Compaq Grand Slam Cup tennis tournament. Sixteen of the best players of the year qualified on the basis of their performance at the four other Grand Slam events and were invited to participate in the Compaq Grand Slam Cup.

In the all-American final of the Compaq Grand Slam Cup, David Wheaton defeated Michael Chang 7-5,

At the press conference following the event both Chang and Wheaton praised the organizers of the event.

6-2, 6-4, in three hours and five minutes. On his way to the finals, Wheaton faced Paul Haarhuis, Todd Woodbridge and Michael Stich.

Chang had defeated Patrick McEnroe, Jim Courier and came from two sets down to achieve a victory over the former world number 1, Ivan Lendl.

The performance edge

Wheaton's serve proved to be a critical factor of his success. A total of 17 to Chang's three contributed towards a total of 20 break points. Last year Wheaton was beaten in the semi-finals of the Compaq Grand Slam Cup by Brad Gilbert following a four-and-a-half hour battle.

At the press conference following the event both Chang and Wheaton praised the organizers of the tournament. "I really enjoy this tournament, everybody makes such an effort on your behalf. As far as winning is concerned, I am obviously delighted to win, but I am great friends with Michael, it is therefore difficult to enjoy beating him," Wheaton said.

Wheaton picks up \$2 million for winning the tournament and Chang \$1 million. Both players indicated that they would be donating a significant amount to charity.



Tournament winner David Wheaton in action.

Compaq CEO Eckhard Pfeiffer and Brian Tobin, president of the International Tennis Federation, congratulate winner David Wheaton as runner-up Michael Chang looks on.



Compaq Asia achieves ISO 9002 certification

After an extensive four-day audit by British Standard Institute (BSI) auditors, on Oct. 28, 1991, Compaq Asia Pte Ltd was recommended for certification to ISO 9002 International Quality Standards. Compaq Asia joins the Compaq manufacturing facility in Erskine, Scotland which had achieved ISO certification in June 1991.

The ISO 9000 series of quality assurance standards set requirements for a formal quality policy, clear allocation of quality responsibilities and documented

systems and processes. Applicants for ISO certification must meet 18 requirements including management commitment, training, writing procedures and work instructions and conducting internal quality audits.

Approximately 90 countries have adopted the ISO 9000 series as their quality standard. Companies wanting to successfully compete in the international market must register for ISO certification. Achieving this certification confirms that Compaq Asia has

established a high-level quality system that is internationally recognized and accepted.

Work teams tackle ISO objective

Compaq Asia began addressing ISO 9002's requirements by designating certification as a primary objective for 1991. Compaq Asia formed an "ISO Work team" with members representing each department. Managing Director Kirk Moul, headed the steering committee to oversee the project. Teo Gin Wah,

Quality/Reliability Assurance Manager, became project leader and S K Lau, Audit Engineer, became the ISO 9002 Project Coordinator.

Continuous improvement

To qualify as auditors, various engineers took Lead Assessor courses. After passing their examinations, these engineers formed a team to conduct regular audits to ensure that the Compaq Asia quality system continues to comply with the ISO requirements.

Beware when you copy software

Don Soula

Information Management

“Hey Gene, I just got a copy of WordPerfect for my computer. It isn't copy protected, so I'll let you copy it after I have it installed.”

“Thanks Tiffany, I needed a word processing program and I know that WordPerfect is very popular. Since it isn't copy protected I won't need to buy it now.”

Regardless of their intentions, Gene and Tiffany have just broken the law. Just because a software program isn't copy protected (which means there are no special modifications preventing the floppy diskettes from

Software companies provide license agreements with their software packages that detail exactly how a person may use or copy their software.

being copied) doesn't mean you can copy the software and give it to another person to use.

Almost all computer software programs, including WordPerfect, Lotus 1-2-3, Microsoft Windows, etc., have copyrights similar to those that exist for books. Software companies provide license agreements with their software packages that detail exactly how a person may use or copy

their software.

An example of this is Borland International's (makers of Quattro Pro and Paradox among others) No-Nonsense License Statement which states: “This software is protected

The only type of software program that can be freely copied and distributed is called “shareware.”

by both United States copyright law and international treaty provisions. Therefore, you must treat this software just like a book, with the following single exception. Borland International authorizes you to make archival copies of the software for the sole purpose of backing-up our software and protecting your investment from loss.

“By saying, ‘just like a book,’ Borland means, for example, that this software may be used by any number of people and may be freely moved from one computer location to another, so long as there is no possibility of it being used at one location while it is being used at another. Just like a book that can't be read by two different people in two different places at the same time, neither can the software be used by two different people in two different places at the same time. (Unless, of course, Borland's copyright has been violated).”

While this license statement is

specific to Borland, it represents the most popular type of license agreement provided by software companies.

The only type of software program that can be freely copied and distributed is called “shareware.” These programs are typically written by individuals who expressly say in their license statement that the program may be freely copied and distributed. These people usually include their names and addresses allowing users to send them money if they find the program useful. Users are under no obligation to send money to use the program. These people typically write software programs for their own enjoyment, and treat any money sent to them as a bonus or as an incentive to continue writing new programs.

By now you are probably asking yourself, “So what if I copy software?”

The SPA is very aggressive in going after businesses suspected of using illegal copies of microcomputer software.

Who will know?” Until a couple of years ago, the answer would have been, “No one but you and your conscience.” That has now changed.

The Software Publishers Association (SPA) investigates software piracy. The group was formed in 1988 to promote and protect the software industry, and represents 792 software companies. The SPA is very

aggressive in going after businesses suspected of using illegal copies of microcomputer software. Representatives begin by announcing themselves to the company's top executive, demand that all work on microcomputers be stopped immediately and request an on-site inspection of all software. The SPA has gained a reputation for taking harsh action against alleged software pirates after several highly publicized raids against large companies. One company investigated by the SPA ended up paying a \$60,000 fine for pirating copies of Lotus 1-2-3 and AutoCAD.

The best course of action for handling computer software is twofold:

1. If you or your company didn't purchase the software that you will be using, but instead copied someone else's software, odds are that you will be in violation of the software company's copyright. When in doubt, ask to see the license agreement provided with the software or call the company and ask them to explain their license agreement.

2. When receiving purchased software, you should read the license agreement so that you and your company are protected in the event that the SPA should come calling on your company some day.

The SPA will soon release a video titled “It's Just Not Worth the Risk.” That may be the best advice to keep in mind if you are thinking about copying software.

Color transportable exceeds expectations

The COMPAQ PORTABLE 486c, the advanced color transportable introduced last year, has exceeded company sales expectations. Compaq began shipping our first color transportable last month to customers worldwide.

“This great customer response reaffirms our market research indicating significant ongoing demand for a high performance, full-function portable computer,” says Eckhard Pfeiffer, CEO. He adds that our product is not to be compared with vapor color notebooks. The COMPAQ PORTABLE 486c delivers high performance, brilliant color, a full-size keyboard and more internal expansion capability.

“Most color notebooks, though announced last year, will not be readily available or shipped in any significant volumes until later this year. Compaq has always been at the forefront of new technology and we are currently pursuing color notebook technology. We plan to

be an aggressive player in this market,” Pfeiffer says.

The successful color transportable is EISA-based and AC-powered and combines the powerful Intel 33-MHz 486 microprocessor with a dazzling TFT Active Matrix VGA color display and several outstanding standard features starting at under \$10,000. No other color portable in its class offers this level of performance, color capabilities and features in such a small, lightweight design.

This COMPAQ PC has quickly been accepted by a wide range of customers who require exceptional desktop functionality, high performance and occasional portability to run very sophisticated and complex applications. These customers include architects, engineers and software developers who use CAD/CAE, database management, financial modeling and complex demonstration applications.

COMPAQ LTE/286



This COMPAQ LTE/286 gets attention wherever it goes. It's used by Compaq Switzerland at outdoor events and promotions. The radio-controlled notebook can travel up to three miles per hour – forwards or backwards. It's always a big hit – with children following it and adults trying to type on the keyboard.

Compaq Canada hosts United Way event

Catherine Lancaster
Compaq Canada

Compaq Canada recently kicked off its United Way campaign with the second annual "Dealer Challenge Cup." This event brought together eight teams of dealers as well as a Compaq team, including employees and their families (200 people) for a day of sports competition, barbecue and raffle draws.

Each team competed in a medley of events including baseball, volleyball, tug-o-war and an obstacle course. The team that collected the most points won the Dealer Cup trophy.

The competition was tough, but contestants gave their all since the games were for the United Way cause. The participation level from Compaq Canada employees was terrific, with almost all Toronto-based employees donating time and effort in various ways: event set-up, collecting food donations, making chili, soliciting raffle gifts, making signs, selling raffle tickets, competing in the event, taking photos, selling food and drinks, organizing the games and cheerleading.

Compaq Canada donated a COMPAQ



Competition was fierce in the Compaq Canada Dealer Cup Challenge, held to raise funds for the United Way.

Portable 386 as the grand prize in the raffle draw.

The winner of the event was the United Way, with total donations raised close to \$3,000. The team that captured first prize was ComputerLand, followed by Compaq in second and Crowntek in third place.

"M" for Most Valuable

Citing impressive business benefits, editors of *PC/Computing Magazine* voted the COMPAQ DESKPRO/M Family of modular personal computers among the Most Valuable Products of 1991. This PC family was the only desktop PC honored in *PC/Computing's* third annual review of the PC industry's top products. Announced in September 1991, the COMPAQ DESKPRO/M continues to earn recognition for the innovative "Intelligent Modularity" design.

Unlike conventional PC's which integrate most components on the system board, the COMPAQ DESKPRO/M Family divides those components into five distinct subsystems — processor, video graphics controller, EISA bus, input/output and memory expansion — on a separate board. This design allows users to upgrade more than just the processor and memory.

"People with cutting-edge aspirations don't always have cutting edge dollars," said Gina Smith, a *PC/Computing* senior writer and computer judge. "The easy-to-upgrade COMPAQ DESKPRO/M Family is right on the money."

Standing out in a crowd

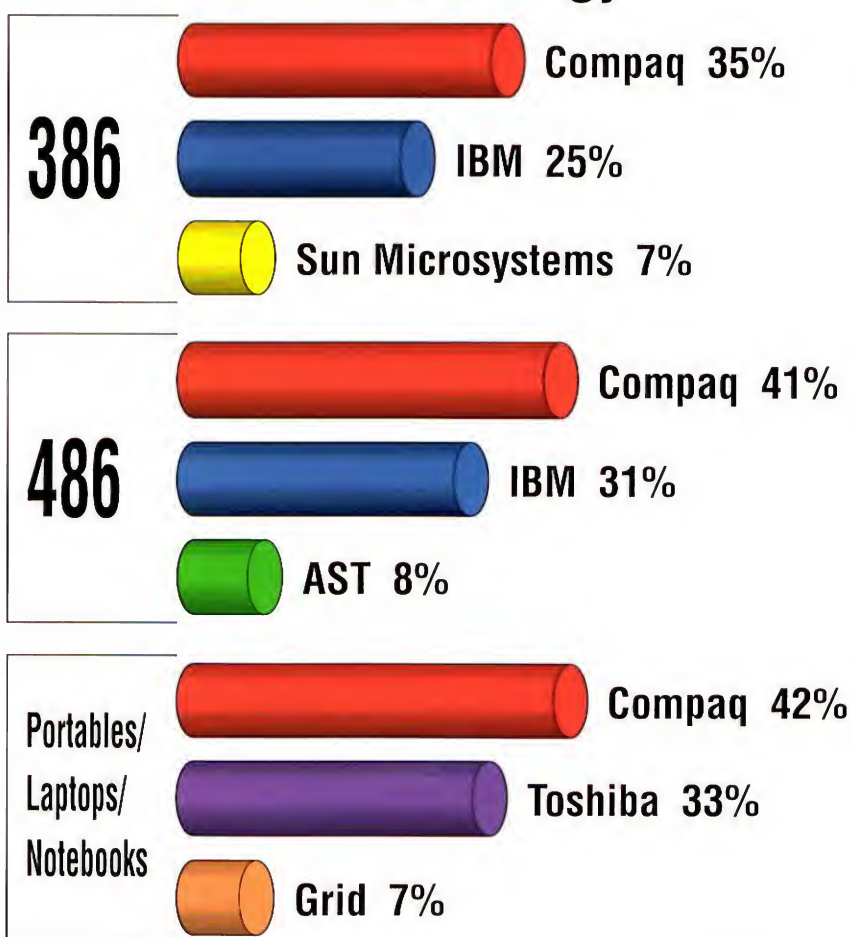
More than 20 *PC/Computing* editors evaluated a variety of PC-based hardware and software products and awarded Most Valuable Product (MVP) status to those that provide the most innovative technology and most effective user solutions.

"*PC/Computing* focused the MVP competition on products that provide the greatest business benefits," said Mike Edelhart, *PC/Computing's*

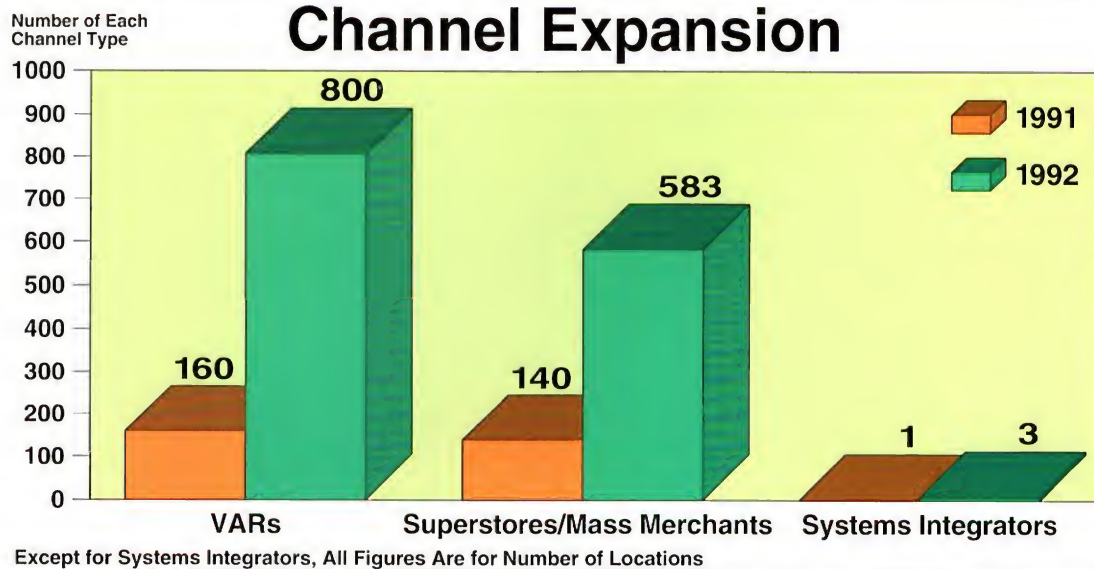
editor-in-chief. "Products, such as the COMPAQ DESKPRO/M, are not only impressive because of the strength of their technology, but because of the problems they solve and the effectiveness with which they solve them," he added.

The COMPAQ DESKPRO/M Family includes the COMPAQ DESKPRO 386/25M, COMPAQ DESKPRO 486s/16M, COMPAQ DESKPRO 486s/25M and COMPAQ DESKPRO 486/33M. The COMPAQ DESKPRO 486s/16M and COMPAQ DESKPRO 486s/25M were the first products to feature Intel's 16-MHz 486SX and 25-MHz 486SX microprocessors.

Computerworld 1991 Brand Preference Study Best Technology



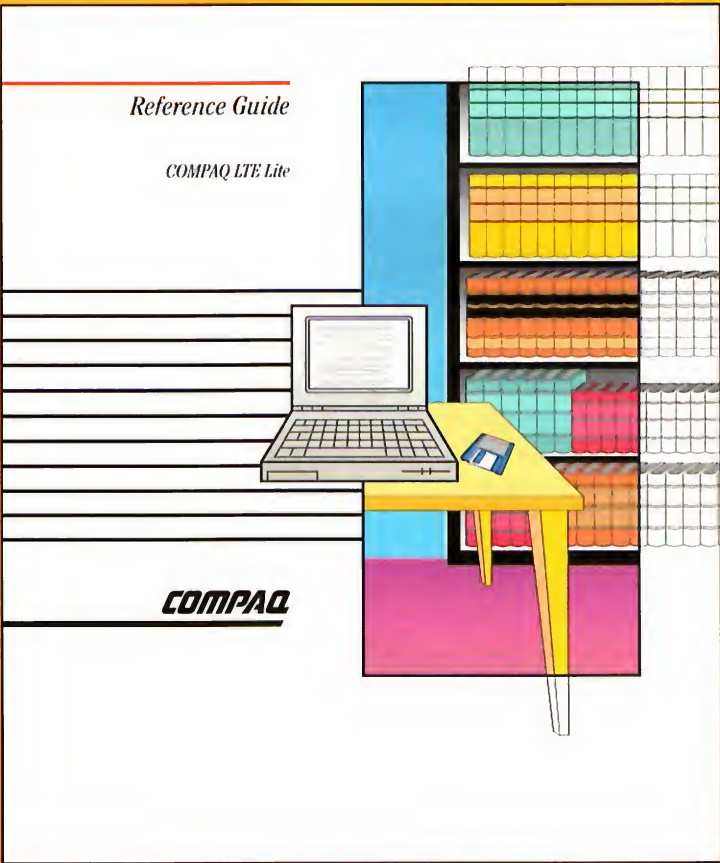
Channel Expansion



Enlighten yourself with a Leaner and **MEANER** notebook.

The graphic for the COMPAQ LTE Lite Family of Personal Computers emphasizes the products' lightweight design, speed and power. Rays emanating from the words "Leaner" and "MEANER" highlight the new products' attributes. The computers are 8.5 in. x 11 in. x 1.75 in. (22 cm. x 28 cm. x 4.5 cm.), only 6 pounds, have increased memory and can operate on a battery for 3 to 4 hours.

Documentation graphics for the notebook computers feature a library setting. The notebooks' portability and longer battery life makes them a great productivity tool not only in the office, but in a school library, a law library or wherever work takes you.



The COMPAQ LTE Lite/25 ... a powerhouse
in a notebook size computer.

COMPAQ